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Review of the efficiency of the administrative and financial functioning of the United Nations

Programme budget for the biennium 2000-2001

Joint Inspection Unit

Report of the Joint Inspection Unit entitled "Management of buildings: practices of selected United Nations system organizations relevant to the renovation of the United Nations Headquarters"

Note by the Secretary-General**

Addendum

The Secretary-General has the honour to transmit for the consideration of the General Assembly his comments on the report of the Joint Inspection Unit, entitled: "Management of buildings: practices of selected United Nations system organizations relevant to the renovation of the United Nations Headquarters" (JIU/REP/2001/1).

* A/56/150.

** The present report could be prepared only when the related report (A/56/274) was available.

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Comments of the Secretary-General on the report of the Joint Inspection Unit entitled "Management of buildings: practices of selected United Nations system organizations relevant to the renovation of the United Nations Headquarters"

I. Introductory remarks

1. The Secretary-General expresses his thanks to the Joint Inspection Unit (JIU) for the compilation of the comprehensive report entitled "Management of buildings: practices of selected United Nations system organizations relevant to the renovation of the United Nations Headquarters". The report examines the operational and financial issues relating to building management, taking into account management practices of other United Nations system organizations, in order to assist Member States and the Secretariat in the consideration of measures aimed at ensuring timely, systematic maintenance and capital improvements at the United Nations Headquarters.

2. The recommendations contained in the report, notwithstanding the general nature of some, refer to adequate provisions for the systematic maintenance of properties, compliance with host country codes, equitable space allocations in accordance with standards and industry norms, and proper cost accounting to recover the reasonable costs of space and space accommodations from extrabudgetary and support account sources. These issues are all consistent with the current practices being adopted at each duty station and other United Nations offices through policy dissemination within the budgetary constraints of each office.

3. In this regard, the Secretariat has taken a number of initiatives with the objective of further adopting such best practice through the central support services framework. These initiatives are contained in the following reports:

(a) Report of the Secretary-General on facilities management (A/54/628). The report provides information on the value of buildings owned and leased by the United Nations at principal duty stations, along with the implications and actions for long-range major maintenance and modernization of the existing buildings;

(b) Report of the Secretary-General entitled "Renewing the United Nations: a programme for reform" (A/51/950 and Corr.1 and Add.1-7) and report of the Secretary-General on the review of common services (A/55/461). In view of the considerable diversity in the procedures and approaches between the Secretariat and the funds and programmes, it is highly desirable to attempt to harmonize regulations, rules and procedures among the participating organizations to the maximum extent possible. The most significant achievement of the Task Force on Common Services has been the creation of a culture of collaboration and an atmosphere conducive to common services;

(c) Report of the Secretary-General entitled "Overseas Properties Management and Information Exchange Network (OPMIEN): a globally coordinated collaborative approach to facilities management" (A/55/210). The purpose of the collaborative team, as described in the report, is to network and exchange information on a regular basis on best practice, common approaches and policy directives, to improve programmes for the overall maintenance, alteration and improvement of facilities;

(d) Report of the Secretary-General on the promotion of long-range improvements planning through the process of a capital master plan similar to that developed for the United Nations Headquarters (A/55/117 and Add.1). The report describes the development and implementation of modalities for the new uniform space standards to be used during the phasing-in of the capital master plan and thereafter.

4. A programme has been initiated by the Department of Management to recover space by applying JIU standards to departments occupying excess space, so as to reduce overcrowding in other areas and provide space for newly funded programmes. Rental and office accommodation costs, as well as costs associated with support services and maintenance, are tracked to ensure that such costs are recovered from extrabudgetary programmes, where applicable, by updating the chargeable rental rates and the standards for common services costs related to facilities and space costs used for budgeting purposes. Considerable variations exist in such cost recovery plans at different duty stations and efforts are under

way to harmonize such charge-back plans. Many of the recommendations of JIU would be addressed through one or more of the above reform processes.

II. General comments

5. The observations and recommendations of JIU are pertinent and important for the efficient, safe and reliable management of buildings owned or managed by the United Nations. The real estate currently administered by the United Nations is quite extensive in physical and economic terms. The value of these properties is more than monetary; they serve important functional purposes and have significant cultural and symbolic value as well. Therefore, it is of paramount importance to provide for systematic maintenance of these properties, not only as valuable physical and cultural investments, but also to promote a safe, reliable and efficient working environment for staff and delegates. Certain findings of JIU inspectors require further assessment, however, namely:

(a) The need for a large expenditure for the capital master plan at the United Nations Headquarters resulted primarily from neglect in systematic maintenance owing to chronic underfunding. The need for major refurbishments also arises from increasing requirements for facilities, expansion in the scope, complexity and functions of the United Nations, recent changes in buildings and safety codes, and functional and technological obsolescence of equipment and infrastructure after 30 to 50 years of service. Such large capital expenditures are required for all properties, irrespective of the level and extent of preventive maintenance;

(b) The observation that programme managers are not fully aware of the financial implications of building maintenance and use of office space, and that financial considerations are not taken into account in the decision-making process in the allocation of office space, is not accurate. Space allocations are administered by the Department of Management based on JIU and industry standards for office accommodations and utilization of workstations. As explained above, efforts are being made to consistently apply JIU standards, subject to actual physical configuration. As a result, it is anticipated that additional space will become available. There is a strong recognition of costs relating to office accommodations and all duty stations have been taking measures effectively to use space and charge back costs to extrabudgetary programmes, wherever feasible. Furthermore, efforts are under way to harmonize such policies through the information exchange network and common services framework.

III. Specific comments on the recommendations

Recommendation 1: In the context of the capital master plan, the General Assembly should review the practice and establish a policy on the management and maintenance of United Nations buildings on the basis of the proposal submitted by the Secretary-General (paras. 19-20).

6. The Secretary-General encourages and promotes the view of a standard policy for the management and maintenance of United Nations buildings. Such programmes can, however, only be managed through a central building or real estate fund, outside the regular biennium budget cycle. Furthermore, despite such focused building maintenance programmes, there is always the need for a long-range plan for capital improvements: this periodically requires large sums to modernize the buildings insofar as new equipment and infrastructure to meet rising expectations and the expanding use of facilities.

Recommendation 2: The United Nations Secretariat should take measures aimed at full compliance of its buildings with the local building codes, with a view to ensuring safety, security and a sound working environment in the United Nations Headquarters (para. 25).

7. The Secretary-General concurs fully with the recommendation and is satisfied that its substantive merits have been taken into account by the Secretariat. Although the recommendation appears to lack specificity, it falls squarely within the scope of the Secretary-General's capital master plan, which is to modernize the complex so as to meet all required building codes and standards, ensuring, as it were, a sound, safe and secure working environment for staff, and to improve energy efficiency and provide "swing space".

8. Regrettably, however, the report does not appear to provide details on the appropriate levels of resources that should be set aside for maintenance against the

overall value of the buildings. There is no discussion in the report of cost standards or indicators for use in planning and budgeting for building maintenance and renovation requirements and no comments on benchmarks or on local best practice (i.e., other organizations of the United Nations system, government buildings, etc.) that could be considered by the United Nations.

Recommendation 3: Financial and non-financial support from the host Government and the local authorities needs to be solicited and encouraged in the implementation of current project for renovating and improving the United Nations Headquarters buildings (para. 31).

9. The Secretary-General is in agreement with the recommendation. In fact, the establishment of an expert financial advisory group is being proposed.

Recommendation 4: The Secretary-General should ensure that the Facilities Management Division of the Office of Central Support Services has sufficient staff with the required professional capability to supervise the implementation of the capital master plan (para. 34).

10. The Secretary-General concurs with the recommendation.

Recommendation 5: The General Assembly should request the Secretary-General to prepare a feasibility study for establishing a building/real estate fund for the purpose of covering the costs of major repairs, renovation, upgrading and replacement of equipment (para. 74).

11. Such a fund is desirable since it would avoid the biennial struggle of requesting adequate funds for building maintenance when there are competing priorities. Any such funds outside the regular budgetary review processes must, however, be carefully structured and monitored to ensure their efficient management and proper accountability.

12. As stated in paragraph 73 of the report of JIU, there are inherent risks with regard to the establishment of a special account regime for the purpose of major repairs, renovation etc., and there is a need for vigorous oversight under the Financial Regulations and Rules of the United Nations. Accordingly, any study on the feasibility of establishing a building/real estate fund within the United Nations must not be restricted to operational and functional considerations but also take into account the accounting and financial requirements within the framework of the Financial Regulations and Rules, policies and procedures.

Recommendation 6: The Secretary-General should report to the General Assembly on the use of modern management tools such as information technology and a cost measurement system, that measure operating costs of office space by organizational unit of the Secretariat (para. 82).

13. While the Secretary-General concurs with the thrust of this recommendation, a review of its context in paragraphs 75 to 82 of the report indicates that JIU has highlighted a view that has been raised repeatedly by the legislative bodies regarding the regular budget subsidizing extrabudgetary activities.

14. With regard to the concept of cost sharing of support costs, perhaps the recommendation should be tempered by similar thoughts expressed by the Advisory Committee on Administrative and Budgetary Questions on the reimbursement for support services provided by the United Nations to various entities. It has also been stated that, while quantifiable data are required, care should be taken to avoid too elaborate an exercise, the cost of which would not be commensurate with the results. Therefore, the implementation of a scheme that is of limited utility and value and would involve high administrative effort and cost should be avoided.

Recommendation 7: In the context of the capital master plan, the Secretary-General should report on office space management, indicating the needs for possible changes in office space standards (para. 89).

15. The recommendation is welcomed.

Recommendation 8: The Secretary-General should revise and enforce norms and standards for office space allocation at the United Nations Headquarters and other duty stations in order to avoid discrimination and disputes (para. 90).

16. The Under-Secretary-General, Department of Management, has been delegated the responsibility to undertake a multi-phased programme of reducing space allocation inequities through the use of uniform space standards.